

IN THE UNITED STATES DISTRICT COURT
FOR THE NORTHERN DISTRICT OF CALIFORNIA

ALLSTATE INSURANCE CO.)	Case No. 14-CV-01804 SC
)	
Plaintiff,)	ORDER GRANTING DEFENDANTS'
)	MOTION FOR ABSTENTION FROM
v.)	HEARING DECLARATORY RELIEF
)	<u>ACTION</u>
TUCKNOTT ELECTRIC CO., INC.;)	
ROBERT ALLEN TUCKNOTT, JOSE SAMUEL)	
MOLINA, and ELIDIA DIAZ MOLINA)	
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Defendants.)	
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I. INTRODUCTION

Now before the Court is Defendants Samuel Molina and Elidia Diaz Molina's motion seeking abstention from hearing this declaratory relief action filed by Plaintiff Allstate Insurance Company ("Allstate"). ECF No. 18 ("Mot."). Defendant Robert Tucknott joins in the motion. ECF No. 21 ("Joinder"). The motion is opposed, fully briefed,¹ and appropriate for resolution without oral argument pursuant to Civil Local Rule 7-1(b). For the reasons

¹ ECF Nos. 20 ("Opp'n"); 22 ("Reply").

1 set forth below the motion is GRANTED and the complaint is
2 DISMISSED without prejudice.

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4 **II. BACKGROUND**

5 This is an insurance coverage dispute arising from an
6 automobile-bicycle accident. Tucknott was driving his automobile
7 when his vehicle struck the Molinas. Following the accident, the
8 Molinas filed suit in state court ("the Underlying Action") against
9 Tucknott and several of his companies, including Tucknott Electric,
10 which was the named insured in an Allstate Business Auto Policy
11 ("the Policy"). After the suit was filed, Tucknott Electric and
12 Tucknott tendered the suit to Allstate. Allstate agreed to defend
13 Tucknott and Tucknott Electric, while nevertheless reserving the
14 right to argue that no coverage exists.

15 Allstate then brought this declaratory judgment action seeking
16 a court order resolving its coverage obligations. In this motion,
17 Defendants argue that the Court should decline to hear Allstate's
18 declaratory judgment action, and instead dismiss the case in favor
19 of having the issue heard in state court.

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21 **III. LEGAL STANDARDS**

22 **A. Declaratory Judgment**

23 The Declaratory Judgment Act, 28 U.S.C. Section 2201(a)
24 provides that "[i]n a case of actual controversy within its
25 jurisdiction . . . any court of the United States . . . may declare
26 the rights and other legal relations of any interested party
27 seeking such declaration, whether or not further relief is or could
28 be sought." The purpose of the Declaratory Judgment Act is to

"bring[] to the present a litigable controversy, which otherwise might only be tried in the future." Societe du Conditionnement en Aluminium v. Hunter Eng'g Co., Inc., 655 F.2d 938, 943 (9th Cir. 1981).

B. Abstention under the Declaratory Judgment Act

"By the Declaratory Judgment Act, Congress sought to place a remedial arrow in the district court's quiver; it created an opportunity, rather than a duty, to grant a new form of relief to qualifying litigants." Wilton v. Seven Falls Co., 515 U.S. 277, 288 (1995). Two cases, Brillhart v. Excess Insurance Co. of America, 316 U.S. 491, 495 (1942) and Wilton, explain the circumstances in which district courts ought not string that arrow.

Under Brillhart/Wilton, courts consider three factors in determining whether abstention is appropriate ("the Brillhart factors"): "avoiding 'needless determination of state law issues'; discouraging 'forum shopping'; and avoiding 'duplicative litigation.'" R.R. Street & Co., Inc. v. Transp. Ins. Co., 656 F.3d 966, 975 (9th Cir. 2011) (quoting Gov't Emps. Ins. Co. v. Dizol, 133 F.3d 1220, 1224 (9th Cir. 1998)). Although the Brillhart factors "remain the philosophic touchstone for the district court," Dizol, 133 F.3d at 1225, they "are not necessarily exhaustive." Huth v. Hartford Ins. Co. of the Midwest, 298 F.3d 800, 803 (9th Cir. 2002). Other factors that courts have considered include:

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[W]hether the declaratory action will settle all aspects of the controversy; whether the declaratory action will serve a useful purpose in clarifying the legal relations at issue; whether the declaratory action is being sought merely for the purposes of procedural fencing or to obtain a "res judicata" advantage; or whether the use of a declaratory action will result in entanglement between the federal and state court systems. In addition, the district court might also consider the convenience of the parties, and the availability and relative convenience of other remedies.

Dizol, 133 F.3d at 1225 n.5. None of these factors is dispositive, and district courts have broad discretion in declining to hear declaratory judgment actions "as long as it furthers the Declaratory Judgment Act's purpose of enhancing judicial economy and cooperative federalism." Dizol, 133 F.3d at 1224; see also Huth, 298 F.3d at 802-03.

IV. DISCUSSION

Defendants make four arguments in favor of abstention. First, they argue that the Underlying Action involves "overlapping factual questions," and accordingly should be considered a parallel action for the purposes of Brillhart and Wilton. Mot. at 2. Specifically, they argue that the questions of the ownership and operation of the automobile and the liability of Mr. Tucknott's businesses will be at issue in both the Underlying Action and this action. Second, they argue the forum-shopping factor weighs in favor of abstention because Allstate's declaratory judgment action was filed in response to the already-filed Underlying Action in state court. Id. at 3 (citing Wilton, 515 U.S. at 283; Dizol, 133 F.3d at 1225-26). Third, Defendants contend they will be subjected to prejudicial discovery costs by being forced to litigate in both

1 state and federal court. Id. at 2-3. Finally, in addition to the
2 above factors, Defendants argue the Court can and should consider
3 that if the Court were to dismiss the declaratory judgment action
4 no other grounds for federal jurisdiction would remain. Mot. at 2
5 (citing Md. Cas. Co. v. Knight, 96 F.3d 1284, 1289 (9th Cir.
6 1995)).

7 Allstate disagrees with each of Defendants' arguments, instead
8 arguing that there is a presumption in favor of declaratory relief,
9 and, in any event, Defendants cannot satisfy the Brillhart factors.
10 First, Allstate points to numerous cases recognizing authority
11 under the Declaratory Judgment Act to "determine [an insurer's]
12 obligations to defend and indemnify its insured against a third-
13 party claim." Opp'n at 4 (collecting cases). Second, Allstate
14 contends abstention is inappropriate in the absence of a 'parallel'
15 state court action. Because, in Allstate's view, the Underlying
16 Action raises distinct factual and legal issues and involves
17 different parties, abstention is per se inappropriate. Third,
18 Allstate argues there is no forum-shopping concern here because it
19 is not (and in its view could not be) a party to the Underlying
20 Action. Id. at 8 (citing Imperium Ins. Co. v. Unigard Ins. Co., --
21 F. Supp. 2d --, 2014 WL 1671806, at *3 (E.D. Cal. Apr. 28, 2014)).
22 Finally, Allstate states that it, not Defendants, will be
23 prejudiced if the Court declines to hear this case.

24 As a preliminary matter, the Court can find no support for
25 Allstate's contention that it is presumptively entitled to
26 declaratory relief. To the contrary, the decision of whether to
27 hear a declaratory judgment action is clearly discretionary.
28 Wilton, 515 U.S. at 288. To be sure, federal courts can and often

do elect to hear declaratory judgment actions to determine an insurer's obligations to defend or indemnify an insured against a third party claim, and "there is no presumption in favor of abstention in declaratory actions generally, nor in insurance coverage cases specifically." Dizol, 133 F.3d at 1225. But the absence of a presumption in favor of abstention does not render declaratory relief "presumptively available." Relatedly, Allstate is also mistaken in its apparent belief that Defendants must show a "compelling reason" for the Court to decline to hear a declaratory relief action. Opp'n at 3. Such a rule would effectively transform the discretionary Brillhart/Wilton standard into the abstention inquiry under Colorado River Water Conservation District v. United States, 424 U.S. 800, 813 (1976), which requires a showing of "exceptional circumstances" in favor of abstention. Wilton expressly rejected that argument, and reaffirmed Brillhart's discretionary approach to declaratory judgment jurisdiction. 515 U.S. at 286. Accordingly, the Court will apply no presumption in favor of hearing this declaratory relief action, and will instead assess whether to hear the case under the Brillhart factors.

A. Avoiding Needless Determination of State Law Issues

The first factor under Brillhart focuses on whether exercising jurisdiction over the declaratory judgment action will result in the needless determination of issues of state law. It is undisputed that this case raises exclusively questions of state insurance law. Insurance law is "'an area that Congress has expressly left to the states through the McCarran-Ferguson Act,'" a consideration other courts have found compelling in declining jurisdiction. Advent, Inc. v. Nat'l Union Fire Ins. Co. of

1 Pittsburgh, No. 13-CV-00561-LHK, 2013 WL 3483742, at *4 (N.D. Cal.
2 July 8, 2013) (quoting Cont'l Cas. Co. v. Robsac Indus., 947 F.2d
3 1367, 1371 (9th Cir. 1991), overruled in part on other grounds,
4 Dizol, 133 F.3d at 1227) (citing 15 U.S.C. § 1011-12 (1988)).
5 Similarly, because jurisdiction here is solely premised on
6 diversity of citizenship, "the federal interest is at its nadir."
7 Cont'l Cas., 947 F.2d at 1371.

8 Accordingly, this factor weighs in favor of abstention.

9 **B. Discouraging Forum-Shopping**

10 The second factor under Brillhart focuses on discouraging
11 forum-shopping. This factor is "usually . . . understood to favor
12 discouraging an insurer from forum shopping." Am. Cas. Co. of
13 Reading v. Krieger, 181 F.3d 1113, 1119 (9th Cir. 1999). One
14 circumstance generally understood to indicate forum-shopping is a
15 "reactive" declaratory judgment action filed in federal court
16 seeking a ruling as to an insurer's obligations under a policy at
17 issue in a state court action that is, usually because of an
18 absence of diversity jurisdiction, not removable to federal court.
19 See Cont'l Cas., 947 F.2d at 1371; see also Dizol, 133 F.3d at 1225
20 (reaffirming that "federal courts should generally decline to
21 entertain reactive declaratory actions"). Here the Underlying
22 Action was the first filed action and does not appear to be
23 removable to federal court. Compl. ¶¶ 2-6 (stating that all the
24 parties to the Underlying Action are residents of California).
25 Nonetheless, Allstate offers two reasons why, in its view, this
26 should not weigh in favor of abstention.

27 Allstate's first argument can be dispensed with quickly.
28 Allstate argues that it "is not (and could not be) a party to the

1 state court action." Opp'n at 8. Allstate apparently bases this
2 conclusion on California Evidence Code Section 1155's bars against
3 the introduction of evidence of insurance coverage "to prove
4 negligence or other wrongdoing." But California law affords a
5 similar declaratory remedy to that provided by the Declaratory
6 Judgment Act. Compare 28 U.S.C. § 2201, with Cal. Civ. P. Code §
7 1060 (conferring a right of action in Superior Court to obtain a
8 declaration of one's "rights or duties with respect to another"
9 under an agreement). As a result, other courts, including the
10 Ninth Circuit, have dismissed similar arguments, finding instead
11 that the insurer could simply have filed a state court action for
12 declaratory relief and sought to relate the two matters. See
13 Polido, 110 F.3d at 1423 (holding that an insurer could have
14 brought a declaratory relief action "in a separate action to the
15 same court that will decide the underlying tort action"); Advent,
16 2013 WL 3483742, at *4 ("[S]tate courts are well equipped to issue
17 a declaratory judgment on a matter that turns solely on questions
18 of state contract and insurance law."); Great Am. Assur. v.
19 McCormick, No. C 05-02175 CRB, 2005 WL 3095972, at *2 (N.D. Cal.
20 Nov. 15, 2005) (Breyer, J.) ("Great American's argument that it is
21 not forum-shopping because it needs a determination of its coverage
22 responsibilities is unavailing. It could have filed a declaratory
23 relief action in state court in Monterey County where such action
24 could have been related to and coordinated with the pending state
25 court actions.")(citing Polido).

26 Allstate's second argument merits more attention. Relying on
27 a case from the Eastern District of California, Allstate contends
28 that there is no forum-shopping concern where "[t]he parties to

1 this litigation are not parties to the underlying action and are
2 not seeking to subvert the state court judgment." Imperium, 2014
3 WL 1671806, at *3. With all due respect to the Imperium court, the
4 Court disagrees. To be sure, one clear circumstance where forum-
5 shopping is a concern is where a state court loser seeks to
6 undermine finality by seeking relief in federal court. Cf.
7 Krieger, 181 F.3d at 1119 (affirming a denial of declaratory relief
8 to bar "the [d]efendants, who [did] not fare[] well in three
9 summary judgments in this action, from wiping the slate clean and
10 starting this litigation anew . . . "). However that is not the
11 only type of forum-shopping that was a concern in Brillhart,
12 Wilton, and the other declaratory judgment abstention cases.
13 Instead, under circumstances such as this one, where the legal
14 question presented is one of state law, there is a prior, pending
15 proceeding in state court involving overlapping facts, and there is
16 an adequate state court procedure for Allstate to obtain a
17 declaration of its coverage obligations, it should be clear why
18 Allstate filed in federal rather than state court -- Allstate seeks
19 what it perceives as a friendly forum.

20 Because this is a reactive declaratory judgment action and
21 Allstate filed in this court in an effort at forum-shopping, this
22 factor weighs in favor of abstention.

23 **C. Avoiding Duplicative Litigation**

24 "If there are parallel state proceedings involving the same
25 issues and parties pending at the time [a] federal declaratory
26 action is filed, there is a presumption that the entire suit should
27 be heard in state court." Dizol, 133 F.3d at 1225.

28 Much of Allstate's opposition focuses on the alleged absence

1 of a parallel action. In Allstate's view, "for the abstention
2 doctrine to apply, a parallel state court action must be pending at
3 the same time as [a] federal declaratory judgment action." Opp'n
4 at 5 (collecting cases) (internal quotation marks omitted). In
5 support of this position, Allstate cites several out-of-
6 jurisdiction cases as well as Polido v. State Farm Mutual
7 Automobile Insurance Co., 110 F.3d 1418, 1423 (9th Cir. 1997),
8 overruled in part on other grounds, Dizol, 133 F.3d at 1227, and
9 Maryland Casualty Co. v. Knight, 96 F.3d 1284, 1288 (9th Cir.
10 1996).² Yet none of the controlling authorities cited support
11 Allstate's proposition. For instance, in Polido, the Ninth Circuit
12 stated that "in determining whether to exercise its discretionary
13 jurisdiction to reach the merits in an action for declaratory
14 relief, the dispositive question is not whether the pending state
15 proceeding is 'parallel,' but rather whether there was a procedural
16 vehicle available to the insurance company in state court to
17 resolve the issues raised in the action filed in federal court."
18 110 F.3d at 1423. Similarly, while Maryland Casualty refers to
19 cases involving parallel proceedings as "the primary instance" in
20 which a court should abstain from hearing a declaratory judgment
21 action, that case nowhere suggests a parallel proceeding is a
22 necessary precondition for abstention. 96 F.3d at 1288. Instead,
23 the Ninth Circuit has clearly stated that "the absence of a
24 parallel state proceeding is not necessarily dispositive; the
25 potential for such a proceeding may suffice." Golden Eagle Ins.

26 ² Allstate also cites Security Farms v. Int'l Bhd. of Teamsters,
27 124 F.3d 999, 1009 (9th Cir. 1997), however that case does not
28 reference, analyze, or discuss Wilton or Brillhart at all, and
instead involves an entirely different branch of abstention
doctrine.

Co. v. Travelers Cos., 103 F.3d 750, 754 (9th Cir. 1996), overruled in part on other grounds, Dizol 133 F.3d at 1227; see also Wilton, 515 U.S. at 290 (declining to "delineate the outer boundaries" of district court discretion to deny declaratory relief, including under circumstances "in which there are no parallel state proceedings").

Even setting aside the question of whether abstention is ever appropriate where there is no pending parallel state court proceeding, Allstate interprets 'parallel' too narrowly. Allstate suggests, relying on language from Wilton, that "because this action and the Underlying Action do not involve the 'same issues' or the 'same parties,' they are manifestly not 'parallel.'" Opp'n at 5 (quoting Wilton, 515 U.S. at 282). However the portion of Wilton on which Allstate relies does not impose such a rigid parallelism requirement. Instead, the quoted language from Wilton merely explains the holding in Brillhart that "at least where another suit involving the same parties and presenting an opportunity for ventilation of the same state law issues is pending in state court," the district court should consider abstention. See 515 U.S. at 282. Furthermore, also contrary to Allstate's view, "[t]he Ninth Circuit construes 'parallel actions' liberally. Underlying state actions need not involve the same parties nor the same issues to be considered parallel."³ Keown v. Tudor Ins. Co.,

³ Other courts appear to impose a stricter parallelism standard than the Ninth Circuit. See, e.g., Scottsdale Ins. Co. v. Detco Indus. Inc., 426 F.3d 994, 997 (8th Cir. 2005) (considering parallel proceedings a "threshold issue" and finding parallelism only if "substantially the same parties litigate substantially the same issues in different forums") (quoting New Beckley Mining Corp. v. Int'l Union, United Mine Workers of Am., 946 F.2d 1072, 1073 (4th Cir. 1991)); Clay Reg'l Water v. City of Spirit Lake, 193 F. Supp. 2d 1129, 1137 (N.D. Iowa 2002) (stating that "a parallel

621 F. Supp. 2d 1025, 1037 (D. Haw. 2008) (citations omitted).
 Instead, "[i]t is enough that the state proceedings arise from the
 same factual circumstances" as the declaratory judgment action.
Golden Eagle, 103 F.3d at 755 (citing Am. Nat'l Fire Ins. Co. v.
Hungerford, 53 F.3d 1012, 1017 (9th Cir. 1995), overruled in part
on other ground, Dizol, 133 F.3d at 1227). Furthermore, the fact
 that an insurer is not a party to the underlying state court
 proceeding is immaterial. See Clarendon Am. Ins. Co. v. Sorg
Corp., No. 07-1966 SC, 2007 WL 1880291, at *2 (N.D. Cal. June 29,
 2007) (Conti, J.) ("[T]he Ninth Circuit has found that state court
 actions not involving the insurance carrier were sufficiently
 parallel to the declaratory relief action to merit consideration
 and dismissal under Brillhart."). (citing Golden Eagle; Emp'rs
Reins. Corp. v. Karussos, 65 F.3d 796, 800 (9th Cir. 1995),
overruled in part on other grounds, Dizol, 133 F.3d at 1227).

Here, both this case and the Underlying Action arise from the
 same factual circumstances. Reviewing the language of the Policy,
 several factual issues appear relevant to both this suit and the
 Underlying Action. The Underlying Action involves claims against
 Tucknott, Robert A. Tucknott & Associates, Inc., and Tucknott

state court proceeding is a necessary prerequisite to the use of
 either the Colorado River-Moses H. Cone or Brillhart standards of
 abstention"). Nevertheless it is unclear how imposing a strict
 parallelism requirement would further the twin goals of the
Brillhart line of cases: judicial economy and cooperative
 federalism. Such a strict parallelism requirement would certainly
 result in abstention in cases involving pure forum-shopping or
 reactive declaratory judgment actions, but it might nevertheless
 result in abstention being denied in other desirable cases, for
 instance those involving highly significant issues of state law or
 factually overlapping cases which nonetheless involve distinct
 legal issues and theories. See, e.g., Nat'l Union Fire Ins. Co. of
Pittsburgh v. Simpson Manuf. Co., 829 F. Supp. 2d 914, 922 (D. Haw.
 2011) (considering the unsettled nature of a particular question of
 Hawaiian law in staying a declaratory judgment action).

1 Electric Company, "either individually or under a theory of
2 respondeat superior." Mot. at 2. At the time of the accident, it
3 appears the vehicle Tucknott was driving was registered to "Robert
4 A Tucknott/Assoc Inc[.]" ECF No. 22 ("Brown Decl.") Ex. C
5 ("Vehicle Regis."). The Policy at issue provides coverage for,
6 among other things, "'autos' you lease[d], hire[d], rent[ed] or
7 borrow[ed]," and, specifically for Mr. Tucknott, even for autos he
8 did not "own, hire or borrow" so long as the vehicle was not owned
9 by him individually "or by any member of his or her household."
10 ECF No. 1 ("Compl.") ¶¶ 14, 17. The relationships between
11 Tucknott, his businesses, the vehicle, and his activities on the
12 day of the accident are likely to be relevant both to vicarious
13 liability and policy interpretation. Accordingly, the Court finds
14 both disputes arise from the same factual circumstances.

15 Moreover, Allstate's argument that "the state and federal
16 actions involve completely different issues: the state court
17 proceeding is a personal injury action . . . while this suit
18 involves the interpretation of Allstate's insurance policy" is
19 unavailing. "[D]ifferences in factual and legal issues between the
20 state and federal court proceedings are not dispositive because the
21 insurer 'could have presented the issues that it brought to federal
22 court in a separate action to the same court that will decide the
23 underlying tort action.'" Polido, 110 F.3d at 1423 (quoting
24 Karussos, 65 F.3d at 800). As the Court previously explained,
25 there is an available procedural vehicle for Allstate to raise
26 these issues in state court. See Cal. Civ. P. Code § 1060.

27 Here, the Court finds that the state court in the Underlying
28 Action is better equipped to resolve this declaratory judgment

1 action. First, as explained above, there is the potential for
2 several overlapping factual issues. Second, the state court is
3 more familiar with the parties and the state law issues likely to
4 arise in interpreting the Policy. Accordingly, this factor also
5 weighs in favor of abstention.

6 **D. Remaining Factors**

7 Finally, both sides argue they will be prejudiced if the Court
8 does not adopt their position. Defendants argue the Court should
9 abstain from hearing this action because exercising jurisdiction
10 over the declaratory judgment action will result in litigation, and
11 hence discovery, on two fronts. Mot. at 2-3. Allstate argues that
12 Defendants overstate the likelihood of duplicative discovery, and
13 in any event, because the coverage issues would only be resolved in
14 state court after the merits of the Underlying Action, Allstate
15 would suffer the bulk of any prejudice by being forced to continue
16 paying Tucknott's defense costs during the full pendency of the
17 tort action. Opp'n at 8-10.

18 Allstate's argument is well-taken, but ultimately not enough
19 to sway the Court from its view that this dispute is better
20 resolved in state court. Nevertheless, one of the cases cited by
21 Allstate, Montrose Chemical Corp. v. Superior Court, 25 Cal. App.
22 4th 902, 910 (Cal. Ct. App. 1994), belies this position. In that
23 case, the Court of Appeal noted that "[i]n a case where there is no
24 potential conflict between the coverage issues and the issues in
25 the third party action, the carrier may obtain an early trial date
26 in the coverage action," thereby possibly ending its duty to
27 defend. While Allstate failed to persuade the Court that there is
28 no potential factual overlap between coverage issues and issues in

1 the Underlying Action, if Allstate continues to believe that to be
2 the case, it can seek an accelerated resolution of the coverage
3 issues in state court.

4 As a result, the Court is not persuaded that prejudice weighs
5 more than weakly against abstention.

6
7 **V. CONCLUSION**

8 For the reasons set forth above, the Court finds that the
9 Brillhart factors weigh against the exercise of jurisdiction in
10 this case and in favor of the resolution of these issues in state
11 court. Accordingly, Allstate's complaint is DISMISSED without
12 prejudice.

13
14 IT IS SO ORDERED.

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16 Dated: October 23, 2014


UNITED STATES DISTRICT JUDGE